

2013 Public Library Annual Budget Workshop on June 5 and Repeated June 13, 2013

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Indiana
Department of Local Government Finance


Committed to a fair and equitable property tax system for Hoosier taxpayers.

**Indiana Public Library
Budget & Finance Seminar**

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June 2013

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**Agenda**

- 2013 Status Update
- 2014 Budgets
 - 2014 Budget Preparation
 - 2014 Timeline
 - Review of Process
 - New Legislation

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2013 Status Update

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2013 Budget Orders and Billing

- 2013 Certified Budget Orders
 - 62 budget orders certified by February 15.
 - 91st budget order certified March 20.
- On-Time Billing
 - 91 counties with a May 10 due date.

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2014 Budgets

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2014 Budget Preparation

- Ways to prepare now:
 - Review current year budget and compare to spending levels
 - Look for potential savings & shortfalls.
 - Also look at revenues
 - Review Gateway documentation and user guides.
 - Count number of pay periods
 - Start working with your managers on their budget requests for 2014.
 - Develop budget guidelines

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2014 Timeline

- Develop a budget calendar
- Identify key dates and deadlines
- Plan to adopt budget early
- If needed, plan budget process in coordination with your fiscal body (council)
- Determine as early as possible the public hearing and adoption meeting dates.
 - Schedule meetings and advertisements accordingly
 - Consider alternative dates

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2014 Budget Calendar

- Key Dates
 - June 30 – Fund balances available - start of budget cycle
 - Aug 1 – Auditor certifies estimated AV's
 - Sept 3 – Deadline to submit budget, rates, levies to county council or fiscal body for review
 - Sept 13 – Last day for 1st advertisement
 - Sept 20 – Last day for 2nd advertisement
 - Oct 1 – Last day for fiscal body to issue recommendation
 - Oct 22 – Last day for public hearing (at least 10 days before adoption meeting)
 - Nov 1 – Last day for adoption meeting
 - Nov 3 – Submit budget to DLGF via Gateway
 - Feb 15 – Deadline for DLGF to certify budgets

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Important Points about Dates

- First budget advertisement must be at least 10 days before public hearing and by Sept. 13.
- Public hearing must be at least 10 days before adoption meeting.
- Second budget advertisement must be at least 3 days before public hearing and at least 7 days after first publication and by Sept. 20.
- LAST possible day to adopt is November 1.
- Budget forms must be submitted through Gateway within two days after adoption.

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New for 2014 Budget

Gateway:

- Revised chart of accounts;
 - Condensed list of expenditure and revenue codes.
- Revised language on Form 3 (budget advertisement) and Form 4.
- Non-binding recommendations will be remitted to county auditor through Gateway this year.
- Form 4 now broken into funds. Automatically pulls from adopted column of 4b. Home rule funds pulled from adopted column on Form 1.
- Most funds and departments used last year were rolled into 2014 .

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2014 Budget Workshops

DLGF field representatives will conduct budget workshops in each county in July & Aug.

- Field Rep will be available to meet briefly with each taxing unit in the county to assist with preparing the 2014 budget.
- Bring to workshop your: ledgers as of June 30th; form 1 completed; debt amortization schedules; and planned meeting dates for board and/or council.
- Goal is to leave the workshop with the budget advertisement.

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2014 Budget Advertisement

- Budget advertisement is publication of Form 3
- Advertisement MUST include:
 - Public hearing date, time, and place;
 - Amounts of budget and tax levies for each fund;
 - Date, time and place of the adoption meeting;


- Language stating “ Complete details of budget estimates by fund and/or department may be seen by visiting the office of this unit of government at [No Unit Office Location Entered]. The political subdivision or appropriate fiscal body shall publish this notice twice in accordance with IC 5-3-1 with the first publication at least ten days before the date fixed for the public hearing and the second publication at least three days before the date fixed for the public hearing.

Notice is hereby given to taxpayers of Name of County, Indiana that the proper officers of [No Name of Adopting Unit Entered] will conduct a public hearing on the year 2014 budget. Following this meeting, any ten or more taxpayers may object to a budget, tax rate, or tax levy by filing an objection petition with the proper officers of [No Name of Adopting Unit Entered] not more than seven days after the hearing. The objection petition must identify the provisions of the budget, tax rate, or tax levy to which taxpayers object. If a petition is filed, [No Name of Adopting Unit Entered] shall adopt with the budget a finding concerning the objections in the petition and testimony presented. Following the aforementioned hearing, the proper officers of [No Name of Adopting Unit Entered] will meet to adopt the following budget:.”

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2014 Budget Advertisement

- DLGF must continue prior years budget and levies if form 3 is not published twice and according to the deadlines.
- The budgets and levies advertised set the maximum amounts for budgets and levies.
- If you notice the first advertisement runs on the wrong date, work with the newspaper to ensure proper publication of the second ad.
- If there is sufficient time, restart the process with a new date of publication for the first ad and indicate "Correction."
- If there is an error in the ad and it's the fault of the newspaper, get it in writing from the paper and the ad may still be valid.

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2014 Hearing and Adoption

- Date, time and place advertised on the Form 3 for both the budget public hearing meeting and the adoption meeting.
- Holding the public hearing on a date different than advertised will cause the budget and levy to be continued from the previous year.
- Meetings must be at least 10 days apart.
- Adoption meeting can be continued to a future date but it must be documented in the minutes of the initial meeting on the advertised date.

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2014 Adoption Meeting

- Adoption must be completed no later than November 1.
- Council members are to sign the Budget Form 4 at the adoption meeting.
- Be certain the budgets, levies, and rates on the Form 4 are correct for all funds.
- Ensure that each councilor signs the form and checks the appropriate box indicating their vote.

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2014 Budget Submission

- Submission to the DLGF is to be done through Gateway this year (same as last year).
- Submission should be done by the fiscal officer within two days after adoption.
- It is the taxing unit's responsibility to submit this information by the deadline.
- DLGF field representative will begin working the budgets after all budgets in the county are submitted.

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Council Review?

- According to IC 6-1.1-17-3.5 requires the budgets of any unit that expects to levy a property tax in the following year to submit the budget to the county council for a “non-binding” recommendation except for:
- Libraries that have a budget increase higher than the AVGQ increase (IC 6-1.1-17-20.3). Those libraries must have the budget adopted by the town, city, or county council, whichever is appropriate.
- Adopting body is responsible for public notices, hearings, and adoption meeting. Failure could mean continuation for unit and county.

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Budgets of Units with Appointed Boards

- IC 6-1.1-17-20 requires the budgets of units with appointed boards to submit proposed budget, rates, and levies to the city or town fiscal body if assessed value falls entirely within the city or town or the unit was originally established by the city or town
 - Excludes libraries unless budget increases greater than AVGQ
 - Requires the fiscal body of city or town to review, reduce or modify but not increase.
 - Budgets are continued if not completed

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Budgets of Units with Appointed Boards

- Proposed budgets, levies and rates must be submitted to the fiscal body by Sept 3.
- Fiscal body is responsible for publishing the required notice of budgets and levies and notice of hearings but unit is responsible for paying for the notice.
- Fiscal body conducts the public hearing for the taxing unit.
- Fiscal body adopts the budget, levy and rates for the unit.

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Budgets of Units with Appointed Boards

- Fiscal officer of the unit adopting the budget serves as the submitter of the budget forms through Gateway.
- Library that expects budget to increase above the AVGQ should work with council to set hearing and adoption dates.
- Email gateway@dlgf.in.gov to get submission rights if needed.

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Reminder

- In order for DLGF to certify a budget, tax rates, and tax levies, the unit must:
 - File Annual Report electronically with SBOA
 - File 100R electronically with SBOA
 - Indicate with 100R if your unit offers a health plan, a pension, and other benefits to full-time and part-time employees
 - File through Debt Management (Gateway) with the DLGF a report of outstanding debt or leases
 - (This is not the Debt Worksheet)

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Reminder: Circuit Breakers

- Circuit Breakers: Also known as “tax caps”
 - Circuit breakers are taxpayer protections
 - Amount of credit is determined by the class of property and the “gross” assessed value
 - Percentages are 1%, 2% and 3%
 - Remember Circuit Breakers are based on “gross” assessed values and tax bills are calculated using “net” AV
 - There’s a separate Circuit Breaker for homestead property owners over 65 (income and AV limits apply)
 - Limits property tax increases to 2% of last years tax bill

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Reminder: Circuit Breakers

- Effect of Circuit Breakers
 - Credits do not reduce line 7 on form 4b
 - Line 7 is fall property tax distribution
 - Form 4b is 16 Line Statement or Financial Statement
 - There's a separate Circuit Breaker for homestead property owners over 65 (income and AV limits apply)
 - Units with a debt service fund with an insufficient balance will need to transfer cash from other funds in order to make the debt service payment.
 - DLGF will provide a Circuit Breaker credit report with the amount of credits to expect.
 - See: http://www.in.gov/dlgr/files/Budget_User_Guide_Form_4B.pdf

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Circuit Breakers

- Circuit Breaker credits are usually experienced when total property tax rate in a tax district approached 2.6000 per \$100 of assessed value
- Civil taxing units cannot replace revenues lost due to circuit breakers with other property tax levies.
- Also, units cannot borrow to replace the lost revenue.
- Shortfalls caused by Circuit Breaker credits not qualify for an excessive levy appeal.

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Reminder: Circuit Breakers

IC 6-1.1-20.6-9.5
Effect of credit on revenues
Sec. 9.5. (a) This section applies only to credits under this chapter against property taxes first due and payable after December 31, 2006.
(b) The application of the credit under this chapter results in a reduction of the property tax collections of each political subdivision in which the credit is applied. Except as provided in IC 20-46-1, **a political subdivision may not increase its property tax levy to make up for that reduction.**
(c) The county auditor shall in each calendar year notify each political subdivision in which the credit under this chapter is applied of the reduction of property tax collections referred to in subsection (b) for the political subdivision for that year.
(d) **A political subdivision may not borrow money to compensate the political subdivision or any other political subdivision for the reduction of property tax collections referred to in subsection (b).**
As added by P.L.162-2006, SEC.13. Amended by P.L.172-2011, SEC.41.

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Legislation

- SEA 343 Amends the Government Modernization Act
 - Provides that the legislative body of the reorganizing political subdivision prepares the plan rather than a committee.
 - Specifies the contents of the plan.
 - Requires a fiscal plan and contents.
 - Requires review by DLGF.
 - Makes other changes.
 - Effective for 2014.

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Legislation

SEA 517

- Sec. 9. Amends IC 6-1.1-17-20 effective July 1, 2013
- Removes the requirement that libraries with assessed values extending beyond a city or town and the library has 50% or more of parcels located outside of the city or town's jurisdiction must submit the budget to the county fiscal body.

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Legislation

- SEA 517 Section 29, (Effective upon passage)
 - Delays "protected" taxes until 2014.
 - Units may transfer from other funds to offset the loss in revenue. Transfer limited to amount of loss.
 - Requires approval of resolution.
 - Taxes payable in 2013 that reflect circuit breaker credits allocates the reduction to all tax supported funds based on the levy imposed by the unit on all funds.
 - Allocation is made after the political subdivision receives its distribution.

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Legislation

- SEA 544
 - State Budget Agency provides estimate of LOIT distributions in August and certifies distribution in October.
 - Sect. 8 Changes amount required in income tax trust account to 50% rather than 150% before supplemental distribution is made.
- SEA 585
 - Provides AVGQ to Lake County units.
 - Makes adjustments to max levies of specific units.

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Legislation

- HEA 1001
 - Changes distribution of the Financial Institutions Tax (FIT) to local governments. Lowers the tax but increases the percent transferred to local units.
 - Requires units to report to DLGF other post employment benefits (OPEB) by Feb. 1, 2014 (Sec. 345).
- HEA 1018
 - Reduces FIT from 8.5% in 2014 to 6.5% in 2017.

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Legislation

- HEA 1116
 - DLGF will conduct budget hearings in county only when requested by a taxpayer in writing. (Previously, DLGF was required to have a hearing in every county before acting on budgets, rates, or levies.)
 - Funds from donation or gifts are not included in the cost of a project to determine if controlled.

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Legislation

- HEA 1116 (Continued)
 - County auditors no longer required to notify units of circuit breaker credits and reductions of tax collections. DLGF will notify units.
 - Section 18 – Effective July 1, 2013. Commission on state tax and financing policy shall study:
 1. Whether libraries with appointed boards should be subject to same budget and levy review process as other units with appointed boards;

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Legislation

- HEA 1116 (Continued)
 2. Whether libraries with appointed boards are uniquely situated and should remain subject to the budget and property tax review laws in effect as of Jan. 1, 2013;
 3. Whether the borders of adjoining library districts should change as the borders of an incorporated city or town containing a library district change.

Commission shall submit findings, if any, to legislative council before Nov. 1, 2013.

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Legislation

- HEA 1145 (Effective July 1, 2013)
 - Provides that unused and unencumbered funds from any fiscal year may be transferred to Rainy Day Fund at any time
 - Amount of transfer is to approved by an ordinance or resolution and the transfer is not more than 10% of unit's budget

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Non-Binding Recommendations

- Reminders:
- IC 6-1.1-17-3.5 requires any unit that will impose property taxes in the following year must submit the proposed budget, rates, and levies to the county fiscal body for review and recommendation.
- If the taxing unit fails to file the necessary information by September 3, the taxing unit will receive its most recent annual appropriations and tax levies.

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Non-Binding Recommendations

- Recommendation must include a comparison of any increase in the budget or levy to:
 - Average increase in state AVGQ
 - Average increase in county AVGQ
 - Increases in budgets and levies of other units in the county.
- If the county council fails to perform both the review AND recommendation by October 1, the county will receive the most recent annual appropriations and tax levies.

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Non-Binding Recommendations

- Schedule your library's adoption meeting after either the county issues the non-binding recommendation or after October 1 (deadline for county to issue recommendation).
- Email gateway@dlgf.in.gov to get submission rights if needed.

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Library Capital Projects Fund

- Uses of the CPF:
 - A) a facility used or to be used by the library including:
 - Planned construction, repair, replacement or remodeling;
 - Site acquisition;
 - Site development; and
 - Repair, replacement, or site acquisition that is necessitated by an emergency;
 - B) purchase, lease, or repair of equipment to be used by the library and;
 - C) The purchase, lease, upgrading, maintenance, or repair of computer hardware or software.

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Library Capital Projects Fund

- Designed to allow libraries to build up cash in advance of major purchase or capital projects.
- Capital Projects Funds do not expire but require an annual plan to be revised and adopted each year.
- Failure to adopt a plan will result in appropriations being denied.
- Process was changed last year to publish a notice of adoption after approval from fiscal body. This notice begins the 30 day objection period.
- CPF must be included with the annual budget and follow normal budget process.

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Contact the Department

- Dan Jones, Assistant Budget Director
 - Telephone: 317.232.0651
 - E-mail: djones@dlgf.in.gov
- Web site: www.in.gov/dlgf
 - "Contact Us": www.in.gov/dlgf/2338.htm.

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